

**CLAY CENTRAL/EVERLY
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2016

Table of Contents

Officials		1
Independent Auditor's Report		2-4
Management's Discussion and Analysis		5-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Position	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet –		
Governmental Funds to the Statement of Net Position	D	20
Statement of Revenues, Expenditures and		
Changes in Fund Balances	E	21
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances –		
Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Position	G	23
Statement of Revenues, Expenses and Changes in Fund Net Position	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	26
Statement of Changes in Fiduciary Net Position	K	27
Notes to Financial Statements		28-44

SUPPLEMENTARY INFORMATION

Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses,	
and Changes in Balances – Budget and Actual –	
All Governmental Funds and Proprietary Funds	45
Notes to Required Supplementary Information – Budgetary Reporting	46
Schedule of the District's Proportionate Share of the	
Net Pension Liability	47
Schedule of District Contributions	48
Notes to Required Supplementary Information – Pension Liability	49
Schedule of Funding Progress for the Retiree Health Plan	50

Table of Contents
(Continued)

SUPPLEMENTARY INFORMATION (CONTINUED)	<u>Schedule</u>	
Supplementary Information:		
Nonmajor Governmental Fund:		
Balance Sheet	1	51
Schedule of Revenues, Expenditures and Change in Fund Balance	2	52
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	53
Capital Projects Fund Accounts:		
Combining Balance Sheet	4	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	55
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6	56
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	57
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		58-59
Schedule of Findings and Questioned Costs		60-63

Clay Central/Everly Community School District

Officials

NAME	TITLE	TERM EXPIRES
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Board of Education

Matt Schoning	President	2017
Allison Goyette	Vice President	2017
Roger Nelson	Board Member	2017
Curt Langer	Board Member	2019
Brian Schmidt	Board Member	2019

School Officials

Dennis McClain	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report

To the Board of Education of
Clay Central/Everly Community School District
Royal, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Every Community School District as of June 30, 2016, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 45 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Every Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2017 on our consideration of Clay Central/Everly Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clay Central/Everly Community School District's internal control over financial reporting and compliance.

Schnum & Company, LLP

Fort Dodge, Iowa
February 9, 2017

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay Central/Everyly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,896,924 in fiscal year 2015 to \$4,164,950 in fiscal year 2016, while General Fund expenditures increased from \$4,144,799 in fiscal year 2015 to \$4,336,663 in fiscal year 2016. This District's General Fund balance decreased from \$2,409,413 at the end of fiscal year 2015 to \$2,237,700 at the end of fiscal year 2016, a 7.1% decrease.
- The fiscal year 2016 General Fund revenue increase was attributable to revenue from state and federal sources. The increase in expenditures was due primarily to an increase in instruction expenses. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2016. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay Central/Everyly Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the Clay Central/Everyly Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)

Fund Financial Statements (Continued)

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds, as follows.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain employee withholdings as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015:

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-2016
Current and other assets	\$ 6,861	\$ 7,011	\$ 63	\$ 26	\$ 6,924	\$ 7,037	-1.6%
Capital assets	1,251	1,193	15	18	1,266	1,211	4.5%
Total assets	8,112	8,204	78	44	8,190	8,248	-0.7%
Deferred outflow of resources	306	271	11	6	317	277	100.0%
Long-term liabilities	1,698	1,257	34	27	1,732	1,284	34.9%
Other liabilities	369	546	55	48	424	594	-28.6%
Total liabilities	2,067	1,803	89	75	2,156	1,878	14.8%
Deferred inflows of revenues	2,338	2,550	6	10	2,344	2,560	-8.4%
Net position:							
Net investment in capital assets	1,251	1,193	15	18	1,266	1,211	4.5%
Restricted	2,095	1,995	-	-	2,095	1,995	5.0%
Unrestricted	667	934	(23)	(53)	644	881	-26.9%
Total net position	\$ 4,013	\$ 4,122	\$ (8)	\$ (35)	\$ 4,005	\$ 4,087	-2.0%

The District's total net position decreased 2.0%, or approximately \$80 thousand from the prior year. The largest portion of the District's net position is restricted.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$100,000, or 5.0%, over the prior year. The increase was primarily a result of revenue exceeding expenditures in the Capital Projects Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$240,000, or 26.9%. This reduction in unrestricted net position was primarily a result of the increase in the District's instruction expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015:

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-2016
Revenues:							
Program revenues:							
Charges for service	\$ 285	\$ 253	\$ 97	\$ 102	\$ 382	\$ 355	7.6%
Operating grants, contributions and restricted interest	831	609	97	96	928	705	31.6%
Capital grants, contributions and restricted interest	8	-	-	-	8	-	0.0%
General revenues:							
Property tax	2,112	2,465	-	-	2,112	2,465	-14.3%
Statewide sales, services and use tax	362	350	-	-	362	350	3.4%
Unrestricted state grants	1,180	1,139	-	-	1,180	1,139	
Unrestricted investment earnings	10	6	-	-	10	6	66.7%
Other	43	29	-	-	43	29	48.3%
Total revenues	4,831	4,851	194	198	5,025	5,049	-0.5%
Program expenses:							
Business type activities:	3,289	2,902	-	-	3,289	2,902	13.3%
Student support services	1,376	1,259	-	-	1,376	1,259	9.3%
Non-instructional programs	-	-	167	169	167	169	-1.2%
Other expenses	275	346	-	-	275	346	-20.5%
Business type activities capital assets, net	4,940	4,507	167	169	5,107	4,676	9.2%
Change in net assets	(109)	344	27	29	(82)	373	-122.0%
Net position beginning of year	4,122	3,778	(35)	(64)	4,087	3,714	10.0%
Net position end of year	\$ 4,013	\$ 4,122	\$ (8)	\$ (35)	\$ 4,005	\$ 4,087	-2.0%

In fiscal year 2016, property tax and unrestricted state grants accounted for 68.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for all of business type activities revenue. The District's total revenues were approximately \$5 million, of which approximately \$4.8 million was for governmental activities and less than \$0.2 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 0.5% decrease in revenues and a 9.2% increase in expenses. Property and other taxes decreased approximately \$341,000 or approximately 12.1%. The increase in expenses is related to increases in instructional and student support services expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

Revenues for governmental activities were \$4,829,919 and expenses were \$4,939,508 for the year ended June 30, 2016. In a difficult budget year, the District controlled expenditure growth to approximate revenue received.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-3						
Total and Net Cost of Governmental Activities						
Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-2016	2016	2015	Change 2015-2016
Instructional	\$ 3,289	\$ 2,902	13.3%	\$ (2,365)	\$ (2,237)	5.7%
Support	1,376	1,259	9.3%	(1,345)	(1,219)	10.3%
Other expenses	275	346	-20.5%	(107)	(188)	-43.1%
Total	\$ 4,940	\$ 4,507	9.6%	\$ (3,817)	\$ (3,644)	4.7%

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$284,562.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$838,584.
- The net cost of governmental activities was financed with \$2,474,250 in property and other taxes and \$1,180,431 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$193,725, representing a 2.1% decrease over the prior year, while expenses totaled \$167,175, a 0.7% decrease over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursements and investment income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIVIDUAL FUND ANALYSIS

As previously noted, Clay Central/Everly Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,254,243, below last year's ending fund balances of \$4,370,409. The primary reason for the decrease in combined fund balances at the end of fiscal year 2016 is due to increasing growth in instruction expenditures.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. The District's decrease in fund balance is due primarily to the decrease in property tax revenues during 2016.
- The General Fund balance decreased from \$2,409,413 to \$2,237,700 due, in part, to the increase in instruction expenditures.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance decreased from \$92,509 at June 30, 2015 to \$39,962 at June 30, 2016. This was due to increased expenditures related to transportation equipment.
- The Statewide Sales, Services and Use Tax fund balance increased from \$1,104,002 at June 30, 2015 to \$1,246,005 at June 30, 2016.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$34,682 at June 30, 2015 to a deficit of \$8,132 at June 30, 2016. Revenues for business type activities during the year ended June 30, 2016 were \$193,725, representing a decrease of approximately 2.1% from prior year revenues of \$197,929.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$3,051 less than total budgeted revenues. Increases in revenues from state and federal sources in fiscal year 2016 helped to offset the decline in local revenue.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested approximately \$1.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-4). This represents a net increase of approximately \$55,000 from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$183,805.

The original cost of the District's capital assets was approximately \$5.9 million. Governmental funds account for approximately \$5.8 million, with the remainder of approximately \$100 thousand accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in buildings. The District's net furniture and equipment totaled \$743,396 at June 30, 2016, compared to \$662,364 reported at June 30, 2015. This increase resulted from building additions during the year.

Figure A-4 Capital Assets, net of Depreciation (Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-2016	
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10		0.0%
Construction in progress	-	14	-	-	-	14		100.0%
Business type activities:	743	662	-	-	743	662		12.2%
Improvements other than buildings	142	154	-	-	142	154		-7.8%
Furniture and equipment	356	353	15	18	371	371		0.0%
Total	\$ 1,251	\$ 1,193	\$ 15	\$ 18	\$ 1,266	\$ 1,211		4.5%

Long-Term Debt

At June 30, 2016, the District had \$1,733,072 in total long-term debt outstanding. This represents an increase of approximately 35.0% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-5 Outstanding Long-term Obligations (Expressed in Thousands)			
	Total District		Percentage Change
	2016	2015	2015-2016
Early retirement	\$ 95	\$ 27	251.9%
Net pension liability	1,535	1,217	26.1%
Net OPEB liability	103	40	157.5%
	\$ 1,733	\$ 1,284	35.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Property taxes levied for in fiscal year 2017 increased approximately \$117,000.
- The District expects a continuing decrease in enrollment.
- Due to an increasing special education deficit, the District is projecting a decrease in its unspent authorized budget.
- Continuing decreases in State supplemental aid continues to erode the District's budget authority.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa 51357.

BASIC FINANCIAL STATEMENTS

**CLAY CENTRAL/EVERLY
COMMUNITY SCHOOL DISTRICT**

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit A

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 3,523,374	\$ 36,227	\$ 3,559,601
Investments	853,927	-	853,927
Receivables:			
Property tax:			
Delinquent	22,405	-	22,405
Succeeding year	2,213,344	-	2,213,344
Income surtax	24,147	-	24,147
Accounts	52,097	23,836	75,933
Due from other governments	171,584	-	171,584
Inventories	-	3,361	3,361
Capital assets, net of accumulated depreciation	1,250,665	14,736	1,265,401
Total assets	8,111,543	78,160	8,189,703
Deferred Outflows of Resources			
Pension related deferred outflows	306,034	6,596	312,630
Liabilities			
Accounts payable	-	54,242	54,242
Salaries and benefits payable	-	286	286
Long-term liabilities:			
Portion due within one year:			
Termination benefits	49,424	-	49,424
Portion due after one year:			
Termination benefits	45,202	-	45,202
Net pension liability	1,502,322	32,524	1,534,846
Net OPEB liability	101,342	2,258	103,600
Total liabilities	1,698,290	89,310	1,787,600
Deferred Inflows of Resources			
Property taxes levied for subsequent years	6,899,389	-	6,899,389
Pension related deferred inflows	124,162	3,578	127,740
Total deferred inflows of resources	7,023,551	3,578	7,027,129

(Continued on next page)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit A
(Continued)

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business Type Activities	Total
Net Position			
Net investment in capital assets	\$ 1,250,665	\$ 14,736	\$ 1,265,401
Restricted for:			
Categorical funding	78,353	-	78,353
Management levy purposes	721,462	-	721,462
Student activities	9,114	-	9,114
School infrastructure	1,246,005	-	1,246,005
Physical plant and equipment	39,962	-	39,962
Unrestricted	667,076	(22,868)	644,208
Total net position	\$ 4,012,637	\$ (8,132)	\$ 4,004,505

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Service	Grants, Contributions and Restricted Interest	Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,097,237	\$ 123,669	\$ 549,817	\$ -
Special instruction	574,044	20,700	62,598	-
Other instruction	617,389	113,240	54,084	-
	<u>3,288,670</u>	<u>257,609</u>	<u>666,499</u>	<u>-</u>
Support services:				
Student	53,337	-	-	-
Instructional staff	73,287	-	-	-
Administration	591,234	26,265	-	-
Operation and maintenance of plant	429,138	-	-	-
Transportation	228,981	688	3,897	-
	<u>1,375,977</u>	<u>26,953</u>	<u>3,897</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	112,352	-	-	8,054
AEA flowthrough	160,134	-	160,134	-
Depreciation (unallocated)*	2,375	-	-	-
	<u>274,861</u>	<u>-</u>	<u>160,134</u>	<u>8,054</u>
Total governmental activities	<u>4,939,508</u>	<u>284,562</u>	<u>830,530</u>	<u>8,054</u>
Business type activities:				
Non-instructional programs:				
Food service operations	167,175	96,786	96,918	-
Total business type activities	<u>167,175</u>	<u>96,786</u>	<u>96,918</u>	<u>-</u>
Total	<u><u>\$ 5,106,683</u></u>	<u><u>\$ 381,348</u></u>	<u><u>\$ 927,448</u></u>	<u><u>\$ 8,054</u></u>

Exhibit B

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ (1,423,751)	\$ -	\$ (1,423,751)
(490,746)	-	(490,746)
(450,065)	-	(450,065)
(2,364,562)	-	(2,364,562)
(53,337)	-	(53,337)
(73,287)	-	(73,287)
(564,969)	-	(564,969)
(429,138)	-	(429,138)
(224,396)	-	(224,396)
(1,345,127)	-	(1,345,127)
(104,298)	-	(104,298)
-	-	-
(2,375)	-	(2,375)
(106,673)	-	(106,673)
(3,816,362)	-	(3,816,362)
-	26,529	26,529
-	26,529	26,529
(3,816,362)	26,529	(3,789,833)

(Continued on next page)

CLAY CENTRAL EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Business type activities:

		Program Revenues	
		Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Charges for Service	
General Revenues:			
Property tax levied for:			
General purposes			
Capital outlay			
Statewide sales, services and use tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B
(Continued)

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business Type Activities	Total
\$ 2,037,208	\$ -	\$ 2,037,208
74,696	-	74,696
362,346	-	362,346
1,180,431	-	1,180,431
9,641	21	9,662
42,451	-	42,451
3,706,773	21	3,706,794
(109,589)	26,550	(83,039)
4,122,226	(34,682)	4,087,544
\$ 4,012,637	\$ (8,132)	\$ 4,004,505

BALANCE SHEET

Governmental Funds

June 30, 2016

See notes to financial statements.

Exhibit C

Management		Nonmajor	Total
\$	720,580	\$	9,231
	-		-
	882		-
	100,000		-
	-		-
	-		-
	-		-
	-		-
	-		-

\$	821,462	\$	9,231	\$	6,899,389
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CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET

Governmental Funds

June 30, 2016

	General	Capital Projects
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 52,449	\$ 1,799
Salaries and benefits payable	314,779	-
Due to other funds	33,088	5,423
Total liabilities	400,316	7,222
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	2,034,226	79,118
Succeeding year income surtax	24,147	-
Total deferred inflows of resources	2,058,373	79,118
Fund balances:		
Restricted for:		
Categorical funding	78,353	-
Management levy purposes	-	-
Business type activities capital assets, net	-	-
School infrastructure	-	1,246,005
Physical plant and equipment	-	39,962
Unassigned	2,159,347	-
Total fund balances	2,237,700	1,285,967
Total liabilities, deferred inflows of resources and fund balances	\$ 4,696,389	\$ 1,372,307

See notes to financial statements.

Exhibit C
(Continued)

Management		Nonmajor	Total
\$	-	\$ 117	\$ 54,365
	-	-	314,779
	-	-	38,511
	-	117	407,655
	100,000	-	2,213,344
	-	-	24,147
	100,000	-	2,237,491
	-	-	78,353
	721,462	-	721,462
	-	9,114	9,114
	-	-	1,246,005
	-	-	39,962
	-	-	2,159,347
	721,462	9,114	4,254,243
\$	821,462	\$ 9,231	\$ 6,899,389

RECONCILIATION OF THE BALANCE SHEET**Governmental Funds to the Statement of Net Position
June 30, 2016**

Total fund balances of governmental funds (page 19) \$ 4,254,243

*Amounts reported for governmental activities in the
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

1,250,665

Other long-term assets, including income surtax receivable, are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

24,147

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources

\$ 306,034

Deferred inflows of resources

(124,162)

181,872

Long-term liabilities, including termination benefits, other post-employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(1,698,290)

Net position of governmental activities (page 15)

\$ 4,012,637

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Governmental Funds

Year Ended June 30, 2016

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 1,942,319	\$ 74,152
Tuition	127,331	-
Other	95,325	9,196
State sources	1,808,057	362,890
Federal sources	191,918	-
Total revenues	4,164,950	446,238
Expenditures:		
Current:		
Instruction:		
Regular	2,010,120	-
Special	563,074	-
Other	488,735	-
	3,061,929	-
Support services:		
Student	52,075	-
Instructional staff	70,776	-
Administration	477,051	11,593
Operation and maintenance of plant	349,334	-
Transportation	165,364	101,430
	1,114,600	113,023
Other expenditures:		
Facilities acquisition	-	243,759
AEA flowthrough	160,134	-
	160,134	243,759
Total expenditures	4,336,663	356,782
Change in fund balances	(171,713)	89,456
Fund balances, beginning of year	2,409,413	1,196,511
Fund balances, end of year	\$ 2,237,700	\$ 1,285,967

See notes to financial statements.

Exhibit E

Management	Nonmajor	Total
\$ 80,055	\$ -	\$ 2,096,526
-	-	127,331
702	113,240	218,463
587	-	2,171,534
-	-	191,918
81,344	113,240	4,805,772
14,428	-	2,024,548
-	-	563,074
-	115,997	604,732
14,428	115,997	3,192,354
-	-	52,075
-	-	70,776
64,108	-	552,752
33,960	-	383,294
-	-	266,794
98,068	-	1,325,691
-	-	243,759
-	-	160,134
-	-	403,893
112,496	115,997	4,921,938
(31,152)	(2,757)	(116,166)
752,614	11,871	4,370,409
\$ 721,462	\$ 9,114	\$ 4,254,243

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds to the Statement of Activities
Year Ended June 30, 2016**

Change in fund balances - total governmental funds (page 21) \$ (116,166)

*Amounts reported for governmental activities in the
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. These costs are not reported in the Statement of Activities, but they are allocated over their estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 238,368	
Depreciation expense	(180,818)	57,550

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.

24,147

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflow of resources in the Statement of Net Position.

204,728

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Termination benefits	(67,186)
Pension expense	(150,443)
Other postemployment benefits	(62,219)

Change in net position of governmental activities (page 17)

\$ (109,589)

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit G

STATEMENT OF NET POSITION

Proprietary Fund

June 30, 2016

	School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 36,227
Accounts receivable	23,836
Inventories	3,361
Total current assets	<u>63,424</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>14,736</u>
Total assets	<u>78,160</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>6,596</u>
Liabilities	
Current liabilities:	
Accounts payable	54,242
Salary and benefits payable	286
Total current liabilities	<u>54,528</u>
Noncurrent liabilities:	
Net pension liability	32,524
Net OPEB liability	2,258
Total noncurrent liabilities	<u>34,782</u>
Total liabilities	<u>89,310</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>3,578</u>
Net Position	
Net investment in capital assets	14,736
Unrestricted	<u>(22,868)</u>
Total net position	<u><u>\$ (8,132)</u></u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit H

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Proprietary Fund
Year Ended June 30, 2016

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 96,786
Non-instructional programs:	
Food service operations:	
Salaries	50,244
Benefits	21,078
Supplies	92,866
Depreciation	2,987
Total operating expenses	<u>167,175</u>
Operating (loss)	<u>(70,389)</u>
Non-operating revenues:	
State sources	1,280
Federal sources	95,638
Interest income	21
Total non-operating revenues	<u>96,939</u>
Increase in net position	26,550
Net position beginning of year	<u>(34,682)</u>
Net position end of year	<u><u>\$ (8,132)</u></u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit I

STATEMENT OF CASH FLOWS

Proprietary Fund

Year Ended June 30, 2016

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 91,695
Cash paid to employees for services	(79,988)
Cash paid to suppliers for goods or services	(50,449)
Net cash (used by) operating activities	(38,742)
Cash flows from non-capital financing activities:	
State grants received	1,280
Federal grants received	73,668
Net cash provided by non-capital financing activities	74,948
Cash flows from investing activities:	
Interest on investments	21
Net increase in cash and pooled investments	36,227
Cash and pooled investments beginning of year	-
Cash and pooled investments end of year	\$ 36,227
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (70,389)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	21,970
Depreciation	2,987
Increase in accounts receivable	(5,091)
Decrease in inventories	3,831
Increase in accounts payable	16,616
Decrease in salaries and benefits payable	(10,004)
Increase in net pension liability	6,911
Increase in deferred outflows of resources	(764)
Decrease in deferred inflows of resources	(6,190)
Increase in other postemployment benefits	1,381
Net cash (used by) operating activities	\$ (38,742)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the district received \$21,970 of federal commodities.

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit J

STATEMENT OF FIDUCIARY NET POSITION

Fiduciary Funds

June 30, 2016

	<div> <div>Private Purpose Trust Scholarship</div> <div>Agency</div> </div>	
Assets		
Cash and pooled investments	\$ 8,143	\$ 956
Accrued interest receivable	5	-
Total Assets	8,148	956
Liabilities		
Due to other governments	-	956
Net position		
Restricted for scholarships	<u>\$ 8,148</u>	<u>\$ -</u>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**Exhibit K****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****Fiduciary Funds****Year Ended June 30, 2016**

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,450
Interest	28
Total additions	<u>3,478</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,950</u>
Change in net position	528
Net position beginning of year	<u>7,620</u>
Net position end of year	<u><u>\$ 8,148</u></u>
See notes to financial statements.	

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominate agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity:

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clay County Assessor's Conference Board.

B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (continued):

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Fund is utilized to account for property tax and other revenues to be used for insurance, unemployment and early retirement benefits.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature; assets equal liabilities, and does not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1^{1/2}% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date, but before the end of the District's reporting period.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District, but will be spent in a succeeding fiscal year.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amounts budgeted in the instruction function.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Subsequent Events

Subsequent events have been evaluated through February 9, 2017, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2016 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Governmental Obligations Portfolio which are valued at an amortized cost of \$432 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAm by Standard & Poor's Financial Services.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the State Sinking Fund, which provides for additional assessments against depositories to avoid loss of public funds.

Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 5,423
Capital Projects	General	33,088
		<u>\$ 38,511</u>

The balances are to be repaid by June 30, 2017.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Construction in progress	14,500	22,041	36,541	-
Total capital assets not being depreciated	24,089	22,041	36,541	9,589
Capital assets being depreciated:				
Buildings	3,092,539	136,231	-	3,228,770
Improvements other than buildings	544,640	-	-	544,640
Furniture and equipment	1,969,733	116,637	48,088	2,038,282
Total capital assets being depreciated	5,606,912	252,868	48,088	5,811,692
Less accumulated depreciation for:				
Buildings	2,430,175	55,199	-	2,485,374
Improvements other than buildings	390,770	12,034	-	402,804
Furniture and equipment	1,616,941	113,585	48,088	1,682,438
Total accumulated depreciation	4,437,886	180,818	48,088	4,570,616
Total capital assets being depreciated, net	1,169,026	72,050	-	1,241,076
Governmental activities capital assets, net	\$ 1,193,115	\$ 94,091	\$ 36,541	\$ 1,250,665

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 117,501	\$ -	\$ -	\$ 117,501
Less accumulated depreciation	99,778	2,987	-	102,765
Business type activities capital assets, net	\$ 17,723	\$ (2,987)	\$ -	\$ 14,736

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular

\$ 40,833

Special

1,781

Support services:

Instructional staff

1,291

Administration

33,104

Operation and maintenance of plant

40,793

Transportation

60,641

178,443

Unallocated

2,375

Total governmental activities depreciation expense

\$ 180,818

Business type activities:

Food service operations

\$ 2,987

Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 27,440	\$ 81,584	\$ 14,398	\$ 94,626	\$ 49,424
Net pension liability	1,191,662	310,660	-	1,502,322	-
Net OPEB liability	39,123	62,219	-	101,342	-
Total	\$ 1,258,225	\$ 454,463	\$ 14,398	\$ 1,698,290	\$ 49,424

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-term Liabilities (Continued)

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net pension liability	\$ 25,613	\$ 6,911	\$ -	\$ 32,524	\$ -
Net OPEB liability	877	1,381	-	2,258	-
	\$ 26,490	\$ 8,292	\$ -	\$ 34,782	\$ -

Termination Benefits — The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year multiplied by 1.5. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participating in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit is exhausted.

At June 30, 2016, the District has an obligation to five participants. Actual early retirement expenditures for the year ended June 30, 2016 totaled \$14,428.

Note 6. Pension Plan

Plan Description — IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Pension Benefits: A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 20, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 totaled \$204,728.

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2016, the District reported a liability of \$1,534,846 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.031067%, which was an increase of 0.000373% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$150,400. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,190	\$ -
Changes of assumptions	42,258	-
Net difference between projected and actual earnings on IPERS' investments	-	127,740
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	42,454	-
District contributions subsequent to the measurement date	204,728	-
	<u>\$ 312,630</u>	<u>\$ 127,740</u>

\$204,728 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2017	\$ (32,169)
2018	(32,169)
2019	(32,169)
2020	73,754
2021	2,915
Total	<u>\$ (19,838)</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued): There were no non-employer contributing entities at IPERS.

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04 %
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
	<hr/> 100% <hr/>	

NOTES TO FINANCIAL STATEMENTS

Note 6. Pension Plan (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,687,242	\$ 1,534,846	\$ 562,144

IPERS' Fiduciary Net Position: Detailed information about IPERS's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS: At June 30, 2016, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages but not yet remitted to IPERS.

Note 7. Other Postemployment Benefit (OPEB)

Plan Description: The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 48 active and 7 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy: The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 77,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(1,000)
Annual OPEB cost	<u>78,000</u>
Contributions made	<u>(14,400)</u>
Increase in net OPEB obligation	63,600
Net OPEB obligation beginning of year	<u>40,000</u>
Net OPEB obligation end of year	<u><u>\$ 103,600</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$14,400 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 38,000	76.32%	\$ 31,000
2015	78,000	76.32	40,000
2016	78,000	18.46	103,600

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$967,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$967,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,020,000 and the ratio of the UAAL to covered payroll was 47.9%. As of June 30, 2016, there were no trust fund assets.

NOTES TO FINANCIAL STATEMENTS

Note 7. Other Postemployment Benefit (OPEB) (Continued)

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this calculation.

Mortality rates are from the RP-2014 projected to 2030 using Scale MP-14, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

Projected claim costs of the medical plan are \$606 for the PPO500 \$10/\$20 RX plan, \$622 for the PPO550 \$5/\$10 RX plan and \$643 for the PPO250 \$5/\$10 RX plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 8. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 3,254
Contributions from private sources	1,908
Teacher Salary Supplement	240
Teacher Leadership Grant	11,421
Professional Development - Core Curriculum	5,263
Professional Development General	15,478
Beginning Teacher Mentoring	1,805
Returning Dropouts and Dropout Prevention	20,627
Gifted and Talented	7,786
Early Readers - Early Literacy Grant	10,571
Total	\$ 78,353

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$160,134 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL --
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

Required Supplementary Information

Year Ended June 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 2,442,320	\$ 96,807	\$ 2,539,127
Intermediate sources	-	-	-
State sources	2,171,534	1,280	2,172,814
Federal sources	191,918	95,638	287,556
Total revenues	4,805,772	193,725	4,999,497
Expenditures/Expenses:			
Current:			
Instruction	3,192,354	-	3,192,354
Support services	1,325,691	-	1,325,691
Non-instructional programs	-	167,175	167,175
Other expenditures	403,893	-	403,893
Total expenditures/expenses	4,921,938	167,175	5,089,113
Excess of revenues over expenditures/expenses	(116,166)	26,550	(89,616)
Balance, beginning of year	4,370,409	(34,682)	4,335,727
Balance, end of year	\$ 4,254,243	\$ (8,132)	\$ 4,246,111

Budgeted Accounts		Final to Actual	
Original	Final	Variance	
\$ 2,701,741	\$ 2,701,741	\$	(162,614)
1,500	1,500		(1,500)
2,095,307	2,095,307		77,507
204,000	204,000		83,556
5,002,548	5,002,548		(3,051)
<hr/>			
3,092,000	3,092,000		(100,354)
1,472,600	1,472,600		146,909
177,000	177,000		9,825
527,087	527,087		123,194
5,268,687	5,268,687		179,574
<hr/>			
(266,139)	(266,139)		176,523
3,941,086	3,941,086		394,641
<hr/>			
\$ 3,674,947	\$ 3,674,947	\$	571,164

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2016, expenditures in the instruction function exceeded the amount budgeted.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System
For the Last Two Fiscal Years*
(In Thousands)**

Required Supplementary Information

	2016	2015
District's proportion of the net pension liability	0.031067%	0.030693%
District's proportionate share of the net pension liability	\$ 1,535	\$ 1,217
District's covered-employee payroll	\$ 2,251	\$ 2,004
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.19%	60.73%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

Iowa Public Employees' Retirement System

Last Ten Fiscal Years

(In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 205	\$ 201	\$ 179	\$ 167
Contributions in relation to the statutorily required contribution	(205)	(201)	(179)	(167)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,293	\$ 2,251	\$ 2,004	\$ 1,926
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
\$ 154	\$ 172	\$ 170	\$ 165	\$ 155	\$ 145
(154)	(172)	(170)	(165)	(155)	(145)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,908	\$ 2,475	\$ 2,556	\$ 2,598	\$ 2,562	\$ 2,522
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 643	\$ 643	0.0	\$ 1,950	33.0
2011	July 1, 2009	-	643	643	0.0	1,950	33.0
2012	July 1, 2009	-	643	643	0.0	1,950	33.0
2013	July 1, 2012	-	431	431	0.0	1,957	22.0
2014	July 1, 2012	-	431	431	0.0	2,017	21.4
2015	July 1, 2012	-	431	431	0.0	1,896	22.7
2016	July 1, 2015	-	967	967	0.0	2,020	47.9

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY
COMMUNITY SCHOOL DISTRICT**

SUPPLEMENTARY INFORMATION

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL**Schedule 1****BALANCE SHEET****Nonmajor Governmental Fund - Student Activity Fund****June 30, 2016****Assets**

Cash and pooled investments	\$ 9,231
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Total assets	\$ 9,231
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Liabilities and Fund Balances

Liabilities:

Accounts payable	\$ 117
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Total liabilities	117
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Fund balances:

Restricted for:

Student activities	9,114
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Total fund balances	9,114
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Total liabilities and fund balances	\$ 9,231
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See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule 2

Schedule of Revenues, Expenditures and Change in Fund Balance
Nonmajor Governmental Fund - Student Activity Fund
Year Ended June 30, 2016

Revenues:

Local sources:

Other

\$ 113,240

Total revenues113,240

Expenditures:

Current:

Instruction:

Other

115,997**Total expenditures**115,997

Change in fund balance

(2,757)

Fund balance beginning of year

11,871

Fund balance end of year

\$ 9,114

See accompanying independent auditor's report.

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Reading is Fundamental	\$ 439	\$ 550	\$ 327	\$ 800	\$ 1,462
Science Fair	-	662	1,255	-	(593)
Musical / Play	879	4,502	4,021	-	1,360
Athletics	932	34,859	36,947	(5,855)	(7,011)
FFA	362	44,739	44,110	-	991
Class of 2016	1,369	214	2,214	3,999	3,368
Class of 2017	810	12,811	8,153	-	5,468
Class of 2018	670	-	-	-	670
Class of 2019	91	-	-	-	91
Class of 2020	66	-	-	-	66
Class of 2021	43	-	-	-	43
Volleyball	482	1,692	1,236	-	938
High School					
Student Council	-	1,928	1,317	(240)	371
Dance Team	981	2,187	2,446	-	722
Football	739	1,620	1,488	-	871
MAV Pack Fund	-	2,756	4,096	1,996	656
Clothing Fund	-	100	-	145	245
Miscellaneous	-	273	-	(273)	-
High School Student Pop	921	-	763	253	411
Concessions	496	-	-	-	496
Cheerleader / Drill Team	921	845	1,270	(146)	350
Yearbook	150	2,955	5,792	(679)	(3,366)
Elementary Pop	1,520	547	562	-	1,505
Total	\$ 11,871	\$ 113,240	\$ 115,997	\$ -	\$ 9,114

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Capital Projects Fund Accounts
June 30, 2016

Schedule 4

	Capital Projects		
	Statewide	Physical Plant	
	Sales, Services	and Equipment	
	and Use Tax	Levy	Total
Assets			
Cash and pooled investments	\$ 1,160,583	\$ 39,145	\$ 1,199,728
Receivables:			
Property tax:			
Delinquent	-	817	817
Succeeding year	-	79,118	79,118
Due to other funds	33,088	-	33,088
Due from other governments	59,556	-	59,556
Total assets	\$ 1,253,227	\$ 119,080	\$ 1,372,307
Liabilities, Deferred Inflows of Resources			
and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,799	\$ -	\$ 1,799
Due to other funds	5,423	-	5,423
Total liabilities	7,222	-	7,222
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	79,118	79,118
Total deferred inflows of resources	-	79,118	79,118
Fund balances:			
Restricted for:			
School infrastructure	1,246,005	-	1,246,005
Physical plant and equipment	-	39,962	39,962
Total fund balances	1,246,005	39,962	1,285,967
Total liabilities, deferred inflows of			
resources and fund balances	\$ 1,253,227	\$ 119,080	\$ 1,372,307

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Capital Project Fund Accounts
Year Ended June 30, 2016

Schedule 5

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 74,152	\$ 74,152
Other	9,159	37	9,196
State sources	362,346	544	362,890
Total revenues	371,505	74,733	446,238
Expenditures:			
Support services:			
Administration	5,423	6,170	11,593
Transportation	-	101,430	101,430
Other expenditures:			
Facilities acquisition	224,079	19,680	243,759
Total expenditures	229,502	127,280	356,782
Change in fund balances	142,003	(52,547)	89,456
Fund balances beginning of year	1,104,002	92,509	1,196,511
Fund balances end of year	<u>\$ 1,246,005</u>	<u>\$ 39,962</u>	<u>\$ 1,285,967</u>

See accompanying independent auditor's report.

**Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund
Year Ended June 30, 2016**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and cash equivalents	\$ 1,036	\$ -	\$ 80	\$ 956
Liabilities				
Due to other governments	\$ 1,036	\$ -	\$ 80	\$ 956

See accompanying independent auditor's report.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Local sources:				
Local tax	\$ 2,096,526	\$ 2,557,464	\$ 3,159,923	\$ 3,390,699
Tuition	127,331	117,582	169,528	196,636
Other	218,463	170,442	260,519	176,356
State sources	2,171,534	1,952,032	1,756,274	1,617,140
Federal sources	191,918	151,462	111,294	125,572
Total revenues	<u>\$ 4,805,772</u>	<u>\$ 4,948,982</u>	<u>\$ 5,457,538</u>	<u>\$ 5,506,403</u>
Expenditures:				
Instruction:				
Regular	\$ 2,024,548	\$ 1,871,231	\$ 1,671,656	\$ 2,005,832
Special	563,074	549,892	545,912	227,016
Other	604,732	540,583	571,547	321,113
Support services:				
Student	52,075	49,909	21,298	34,858
Instructional staff	70,776	90,716	67,152	55,940
Administration	552,752	560,848	542,432	531,994
Operation and maintenance of plant	383,294	395,028	376,595	314,768
Transportation	266,794	175,737	351,866	231,757
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	243,759	200,297	151,827	136,553
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	160,134	158,066	155,623	154,913
Total expenditures	<u>\$ 4,921,938</u>	<u>\$ 4,592,307</u>	<u>\$ 4,455,908</u>	<u>\$ 4,014,744</u>

See accompanying independent auditor's report.

Schedule 7

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
\$ 3,230,584	\$ 2,736,116	\$ 2,648,899	\$ 2,539,371	\$ 2,538,939	\$ 2,531,092
221,573	259,680	102,324	170,661	226,676	249,008
477,936	698,321	306,100	257,235	299,665	159,848
1,667,521	1,634,736	1,341,003	1,757,501	1,779,013	1,878,327
146,287	290,092	337,847	124,514	164,603	103,202
\$ 5,743,901	\$ 5,618,945	\$ 4,736,173	\$ 4,849,282	\$ 5,008,896	\$ 4,921,477
\$ 1,540,158	\$ 1,833,232	\$ 1,717,936	\$ 1,764,952	\$ 1,767,584	\$ 1,763,287
646,150	796,570	526,161	652,872	602,549	626,457
442,944	601,784	627,634	606,864	436,170	443,668
32,840	68,178	115,438	234,640	168,211	194,405
61,149	156,116	139,770	129,757	130,107	123,788
626,246	659,592	534,052	663,956	783,644	647,765
301,918	374,081	417,467	410,501	395,673	337,531
275,079	166,233	220,162	281,836	246,619	177,619
-	-	125	386	1,036	473
109,716	138,729	189,257	167,025	117,736	310,480
-	-	-	-	19,866	19,042
-	-	-	-	1,142	2,237
150,941	169,332	167,914	155,039	153,117	151,253
\$ 4,187,141	\$ 4,963,847	\$ 4,655,916	\$ 5,067,828	\$ 4,823,454	\$ 4,798,005



SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Clay Central/Everly Community School District
Royal, IA

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay Central/Everly Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everly Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Everyly Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clay Central/Everyly Community School District's Responses to Findings

Clay Central/Everyly Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay Central/Everyly Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Schnum & Company, LLP

Fort Dodge, Iowa
February 9, 2017

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Part I: Summary of Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

II-A-16 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting:

III-A-16 Certified Budget: – Expenditures for the year ended June 30, 2016 exceeded the certified budget amount in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-16 Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-16 Business Transactions: We noted no business transactions between the District and District officials or employees.

III-E-16 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-16 Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-16 Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

III-H-16 Supplementary Weighting: Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this issue.

Response – We will contact the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-I-16 Deposits and Investments: Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

The District adopted a depository resolution naming each depository which may hold funds for the District, along with the maximum that may be kept on deposit. During the year, the District exceeded the maximum amount at one depository.

Recommendation – The District's depository resolution should be revised prior to exceeding the maximum amount authorized to be maintain in an approved depository.

Response – The District has reviewed its depository resolution and made appropriate adjustments.

Conclusion – Response accepted.

III-J-16 Certified Annual Report (CAR): The Certified Annual Report was timely certified to the Iowa Department of Education.

III-K-16 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

III-L-16 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,104,002
Statewide sales, services and use tax	\$ 362,346	
Other	9,159	371,505
		<u>1,475,507</u>
Expenditures/transfers out:		
Facilities acquisition	224,079	
Other	5,423	229,502
		<u>229,502</u>
Ending balance		<u>\$ 1,246,005</u>

For the year ended June 30, 2016, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Part III: Other Findings Related To Required Statutory Reporting (Continued):

III-M-16 Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$8,132.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.

III-N-16 Deficit Balances: Three student activity accounts had deficit balances at June 30, 2016.

Recommendation: The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response: The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion: Response accepted.